

China Market Overview

More Possibility You Will Create

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Contents

- ◆ About China
- ◆ China Market Overview
- ◆ How can we help you?

1 About China

Basic Information

China, officially the People's Republic of China (PRC)

- Location :
East Asia (west to Japan,
south to Russia)
- Capital: Beijing
- Population: 1.404 billion
- Area: 9.6 million square kilometers
- Major cities for business: Beijing,
Shanghai, Guangzhou, Shenzhen,
Nanjing, Wuhan, etc.



Economy

- **GDP:**

China has the world's **second-largest** economy in terms of nominal GDP, considering full 2017, the economy grew **6.9%**.

(**Agriculture** went up 3.9%, namely production of food , 0.3% from 2016; cotton 2.7%; pork, beef, mutton and poultry 0.8%.)

National bureau of Statistics of China



Beijing

Economy

- Renminbi (RMB):

RMB became the eighth-most-traded currency in the world in 2013. **Constant appreciation** is contributing to the trade with overseas countries. The **exchange rate** of USD against CNY fell from 6.9 to 6.3 in the last 10 months.



Shanghai

Personal Consumption Ability

- DPI:**

Disposable Personal Income in China increased to 36,396 CNY (5802 USD) in 2017 from 33616 CNY (5359 USD) in 2016.

National Bureau of Statistics of China



Guangzhou

Personal Consumption Ability

- **China's middle-class population:**

The number had reached more than **204 million** by 2017 (if defined as those with personal assets between US\$50,000 and US\$500,000)

[Credit Suisse](#)

- **Urbanization:**

China urbanizes roughly **20 million** residents per year, immediately creating new consumers.



Wuhan



Shenzhen

2

China Market Overview

Imports

- **Growth of imports:**

In dollar terms, imports for the year of 2017 increased 15.9%, the amount reached **\$ 1,840.98 billion**.

[General Administration of China](#)

- **Trend of imported goods:**

Imported food demand in China remains supported by growing urban populations, rising disposal incomes, an innate thirst for foreign luxuries, and a continuing public outcry for improved food safety.

[Ministry of Commerce of China](#)



Imported Food Consumption

I : Commodity

- **Reasons for expand of imported food**

- China's domestic demand for imported consumer-oriented agricultural products, driven by China's expanding economy, rising disposable incomes and urbanization.
- China's cold storage capacity and logistics have grown significantly, which helped more and more imported food, especially fresh food to be available.

iReaserch

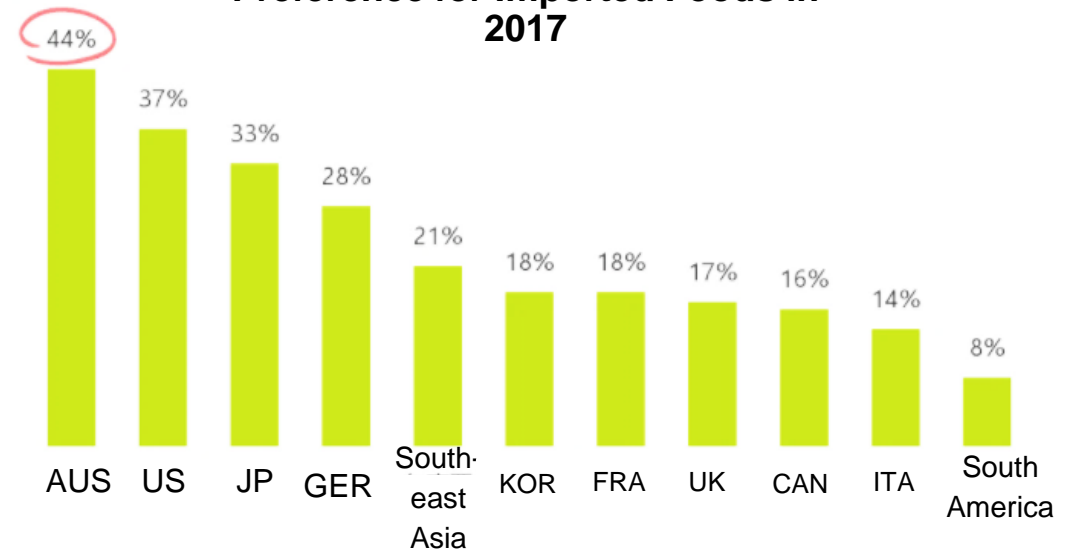
- **Demand in agricultural products :**

Import amounts of agricultural products for Jan - Dec of 2017 reached **\$ 124.72 billion**, increased 12.7% compared with the same period of 2016.

Imports of U.S. agricultural products enjoyed a rebound in 2017, with China importing **\$ 24.1 billion** for the year. According to the amount of imports, the top 5 important imported varieties are edible oil seed (including soybeans), livestock products, grains, aquatic products and hog products.

ASCKI

Chinese Consumers' Regional Preference for Imported Foods in 2017



Note: Above are results of multiple-choice survey.

Imported Food Consumption

I : Commodity

- **Variety**

In addition to snack foods and candies, various imported consumer-oriented agriculture products has exceeded 40% , such as oils, non-staple foods, fruits, dairy products, frozen meat, seafood, etc.

iReaserch



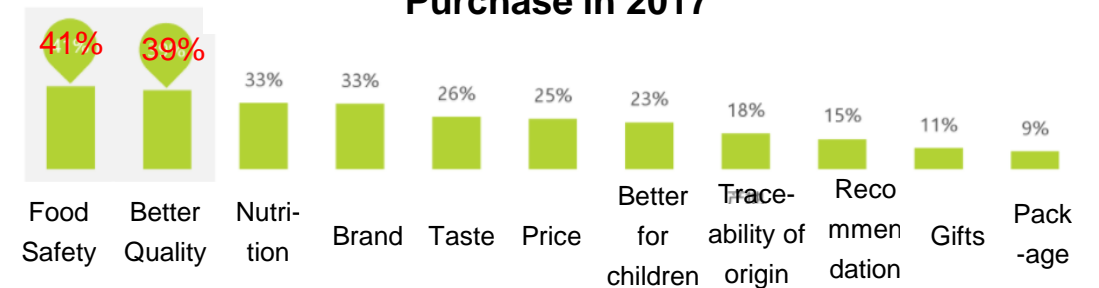
- **The force for Chinese Consumers to purchase**

Food safety and better quality are the main reasons for consumers to purchase imported food.

Source traceability should contribute to the promotion of purchase.

iReaserch

The Force for Chinese Consumers to Purchase in 2017



Note: Above are results of multiple-choice survey.

Fruits



Orange
US
\$3.6/17.6oz



Cherry
Chile
\$20/1.1lb



Grape
Australia
\$11/2.2lb



Pumpkin
New Zealand
\$3.2/1.1lb

Milk & Dairy products



Milk
S.Korea
\$6.8/1L



Milk
Germany
\$3.5/1L



Yoghurt
Swiss
\$1.7/3.5oz



Cheese
US \$4.5/8oz

Processed food



Jam
US
\$4.7/12oz



Coffee bean
Italia
\$21/8.82oz



Chocolate Swiss
\$20.5/5.08oz



Chips
US
\$6.9/6.98oz

Meat & Seafood



Beef
Australia
\$95/2.2lb



Frozen Shrimp
Canada
\$12.4/0.77lb



Bacon
US (Smithfield)
\$5/8.5 oz

Nuts



Blended nuts
US
\$25/10.6 oz



Nuts
US
\$3/1.8 oz



Blended nuts
Australian
\$3/1.6 oz

Wine, Spirits, Beer



Vodka
US
\$25/700ml



Beer
Germany
\$3.6/330ml

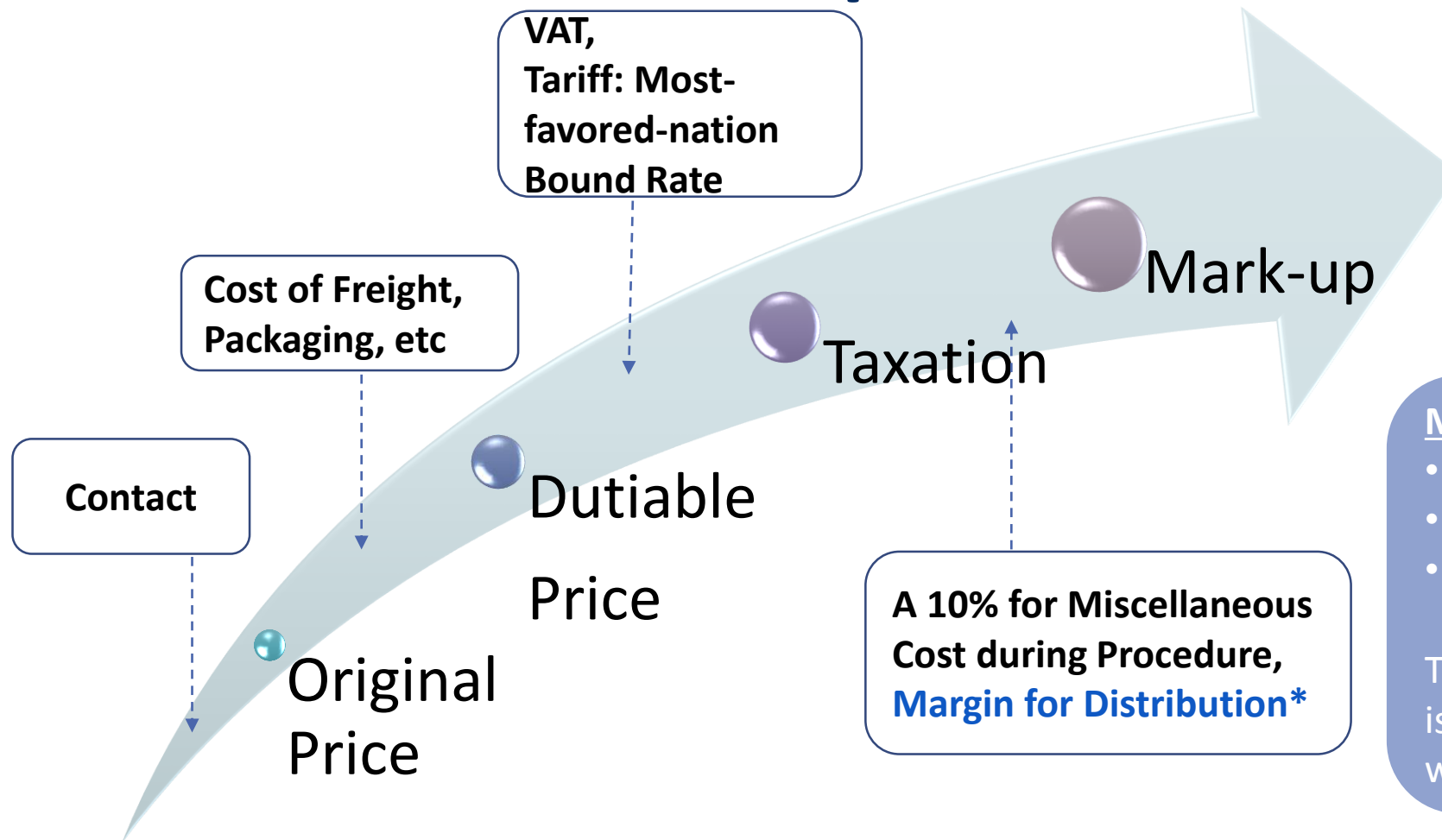


Whiskey
US
\$35/700ml



Wine
All of the world
\$15~/750ml

Reference: Price Markup



Margin for Distribution

- Importer: 10%-15%
- Sub-distributor: 20%-30%
- Retailer/ Foodservice Operator: 30%-35%

The more desired the commodity is, the higher margin distributors would put on.

Imported Food Consumption II : Channel

- **Online VS Offline**

On-line shopping and mobile payments has changed consumption dynamics in China, more and more residents from 2nd -, 3rd-, and 4th-tier cities can order imported products via online retail venues. More and more consumers are accustomed to purchasing imported foods online. According to report by iResearch Inc., 84% of consumers purchase imported food online.

Chinese consumers' purchasing channels for imported food in 2017



Imported Food Consumption II: Channel

- **Mobile payment & E-commerce**

According to iResearch, a Chinese Internet data provider, the Chinese mobile payment market is estimated to reach ¥98.7 trillion (US\$12.91 trillion) in 2017.

In the first half of 2017, the scale of cross-border e-commerce in China's imports reached ¥ 862.4 billion(US\$137.5 billion). It is expected to exceed ¥1.85 trillion (US\$ 294.9 billion) for the whole year.

100EC.CN



Online Shopping



Online Shopping Format

Platform



An online shopping mall where suppliers have their own stores.

Online Supermarket



An online supermarket in a virtual operation.

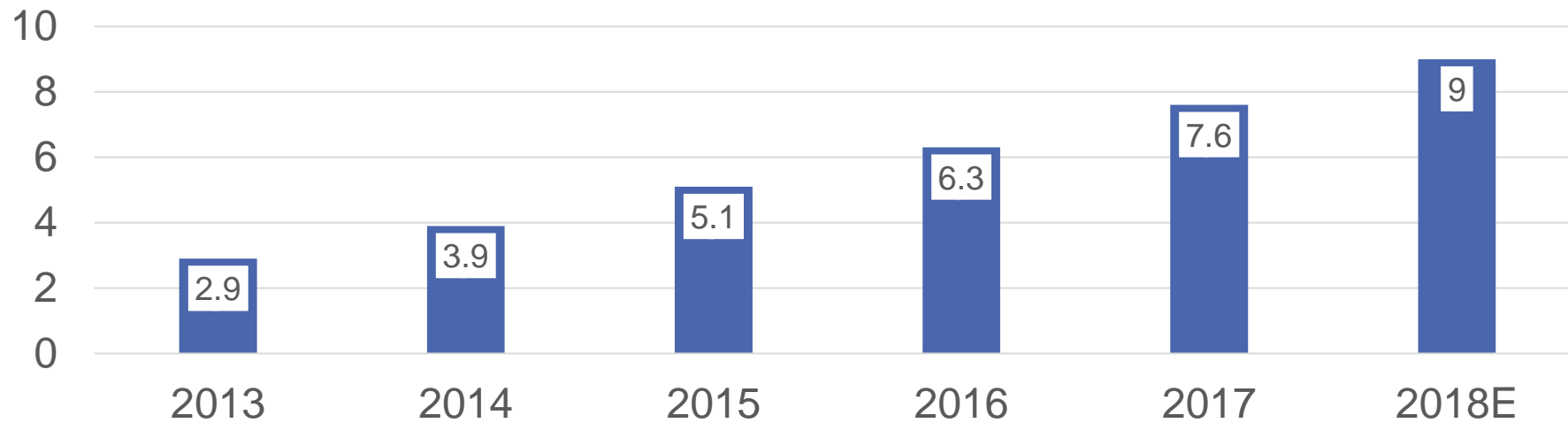
Online to Offline



- Online session similar to the online supermarket.
- Offline in the format of a store in order to enhance shopping experience which online session lacks.

Cross-border Market I

2013-2018 China Cross-border Market (Transaction Value, RMB trillion)



iiMedia Research

As a new E-commerce model, cross-border business is dramatically expanding with total transaction value exceeding RMB 7.6 trillion (USD 1.2 trillion) in 2017.

Cross-border Market II

- Cross-border: pioneering practice for imported commodities, especially food and beverage, to access China Market.
- There is much less regulation on cross-border transaction now. This platform is helpful for US suppliers to access to primary market access and to build image.

Advantage of Cross-border

- Easier access
- Source traceable

- Less tariff or VAT
- Less documents needed

- Items like supplement and organic product could be imported via cross-border.

Example of Platform : Tmall

- Nation/Area Zone



- US Zone

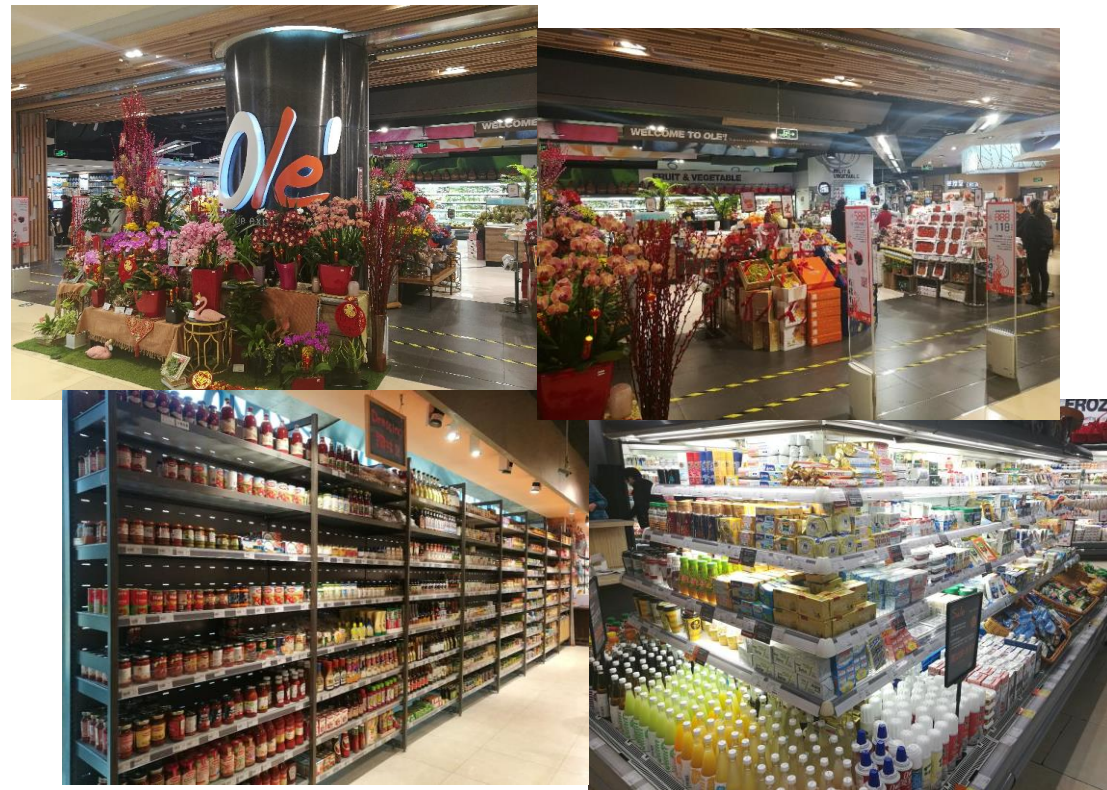


Offline Shopping

Supermarkets and imported food stores are the main channels.



Note: Above are results of multiple-choice survey.



Imported Food Consumption III:

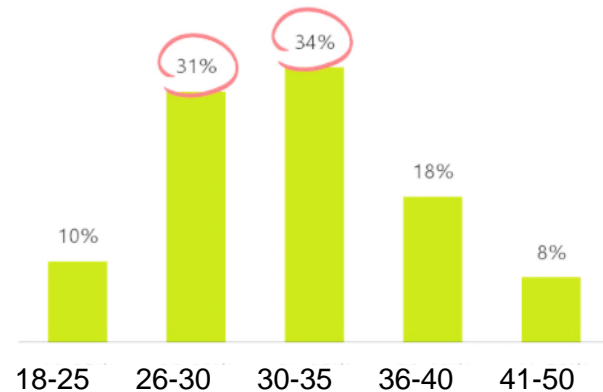
Consumer

Post-80s has become the main consumer group.
They are more concerned about quality and personalization.

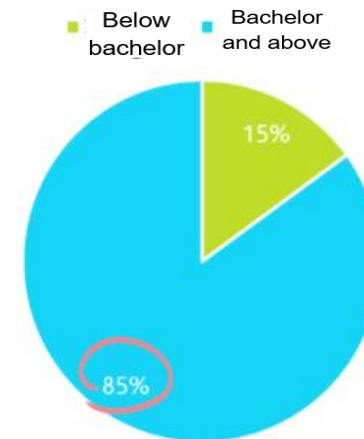
- **Education & Age:**

More than 80% of target consumers have bachelor degree or above.
Nearly 70% of the age of consumers are at the age of 26-35.

Age of Imported Food Consumers in 2017



Educational Level of Imported Food Consumers in 2017

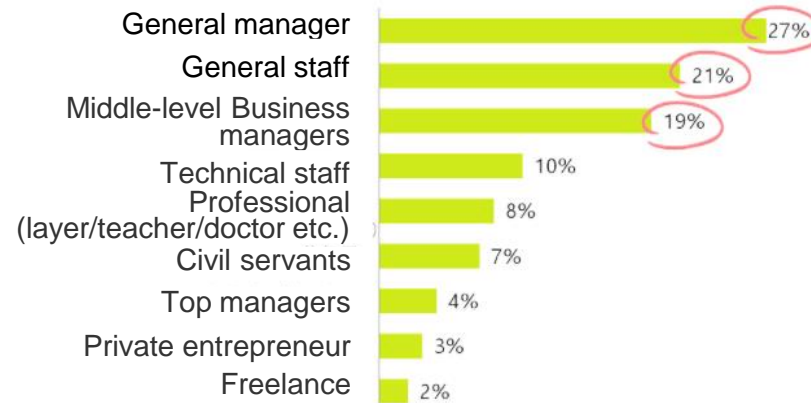


Imported Food Consumption III: Consumer

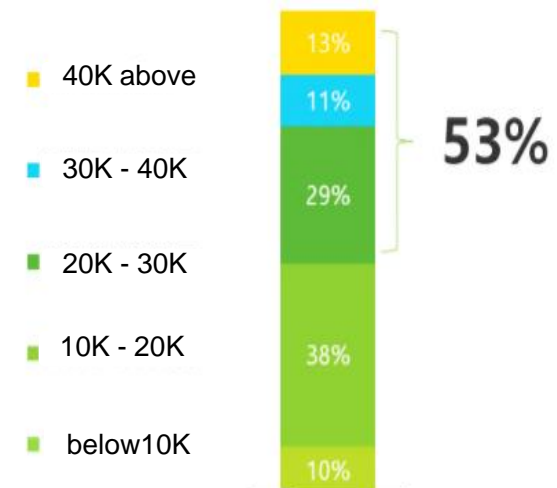
- Occupation & Income:

White-collar workers are the main consumer group of imported food.
More than 50% of consumer's family earn more than ¥20,000 (US\$3,188) per month.

Occupation of Imported
Food Consumers in 2017



Family Income of Imported
Food Consumers in 2017
(Pre-tax/ RMB yuan)





How can we
help you?

China Office

NCDA China office aims to promote NC ag exports business to China. We are here to help all of NC agricultural exporters to be close to Chinese consumers and to be successful in China market.

- Location: The Place Mansion, CBD
- Service:
 - Promoting NC ag & food products in China market;
 - Market research and match-making service;
 - Organize inbound & outbound missions;
 - Social media promotion;
 - Attending trade shows & exhibitions;
 - Communication with local authorities to lobby for a more open market for U.S ag products.



The Place



Market Entry Tips I : Marketing

- Conduct market research: one or two commodities first;
- Visit the market and participate in a trade show;
- Investigating Chinese social media;
- Find a local partner or distributor;
- Understand the basic Chinese regulations which govern your industry;
- Find your market niche and focus on it: both geographically and by market segment;
- Adapt your products to Chinese consumer preferences including flavors, packaging and labeling;
- Protect your brand.



Market Entry Tips II :

Deal

- If possible, be introduced by a common party;
- Carry your business cards with information in Chinese and English, if possible, also with the QR code of WeChat account;
- Budget ample travel time in order to be punctual at meetings;
- The basic expectation of the first meeting to determine reliability and a good fit;
- Speak with counterparts in short, simple, and jargon-free sentences;
- Be prepared that many Chinese buyers will ask for exclusivity or marketing support;
- Set up a WeChat account on your smart phone and know how to use it.



Thank you for listening!

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